

REMARKS

Claims 1,5,7,8, and 9 have been amended. Claims 21-29 have been added. Claims 1-29 remain in the application. Further examination and reconsideration of the application, as amended, is hereby requested.

In Section 2 of the Office Action, the Examiner rejected claims 1-5 and 8-11 under 35 USC 101 because the “claims represent abstract ideas that do not provide a practical application in the technical arts.” The Examiner stated that there is no computer performing any steps; therefore Applicant is advised to embed a computer or process or module into these claims in order to overcome this rejection. Applicants respectfully traverse this rejection as not correctly stating the current case law regarding allowable subject matter as the claimed subject matter is not an abstract idea but a process that creates a useful, concrete, tangible result.. In In re Allapat, 33 F.3d 1526, 31 USPQ.2d (BNA) 1545 (Fed. Cir. 1994), the Fed. Cir. defined an abstract idea as constituting “disembodied concepts or truths which are not “useful” from a practical standpoint standing alone, i.e., they are not “useful” until reduced to some practical application. Of course, a process, machine, or manufacture, or composition of matter employing a law of nature, natural phenomenon, or abstract idea may be patentable even though the law of nature, natural phenomomen, or abstract idea employed would not, by itself, be entitled to such protection.” Id. at 1543. Applicants’ claimed invention is drawn to a transaction payment system that is particularly useful in minimizing the transaction costs to allow for the exchanging of micro-payments of royalties for privileged content. There is no requirement that there be a computer to perform the steps as the Examiner is asserting. The Federal Circuit in AT&T Corp. v Excel Communications, Inc., 172 F.3d 1352, 50 USPQ.2d (BNA) 1447 (Fed. Cir. 1999) (hereafter AT&T) “The notion of ‘physical transformation’ can be misunderstood. In the first place, it is not an invariable requirement, but merely one example of how a mathematical algorithm may bring about a useful application. “ See Id at 1358. “The ultimate issue always has been whether the claim as a whole is drawn to statutory subject matter.” Id. “[A]fter Diehr and Alappat, the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter, unless, of course, the operation does not produce a ‘useful, concrete and tangible result.’” Id. “[T]he focus is understood to be not on whether there is a mathematical algorithm at

work, but on whether the algorithm-containing invention, as a whole, produces a tangible, useful, result.” Id. at 1361.

In Applicants’ claimed invention, the *useful and tangible result* is the transfer of micro-payments through a transaction system. Prepaid royalty amounts are collected at the time of purchase of unused media and stored in an account that references the media producer rather than the purchaser. As the media is used or consumed, micropayments of royalty amounts are transferred to the appropriate content provider whose privilege content is used with the media. This solution provides a long felt need to the content provider industry that has long depended on “bulk licenses” to minimize transaction costs. The Applicants’ claimed invention provides a new and unique way to collecting and distributing money that more accurately reflects the actual use of the privileged content. Such a system allows consumers to get easy access to privileged content while allowing the content providers protection from piracy. This concept is not an abstract idea but a combination of process steps that for each claim, provides useful, concrete and tangible results. Accordingly, withdrawal of this rejection is respectfully requested.

Additionally as the Examiner has suggested, Applicants have added new claims 21-25, and 27-29 (similar to claims 1-5 and 9-11, respectively) which include limitations of a network, but these claims are directed to only one embodiment and Applicants believe their invention embodies other means and methods of transferring the information (such as courier or post, albeit at probably higher transaction costs at today’s rates than a computer or network solution) that would provide similar useful results and still meet USC 101. Claim 26 (similar to claim 8) is in the form of a program product for execution that is machine readable for execution. Examination and consideration of claims 21-29 is respectfully requested.

In Section 4 of the Office Action, the Examiner noted that the application currently names joint inventors. All of the claims in this application are jointly owned.

In Section 5 of the Office Action, the Examiner rejected claims 1-20 under 35 USC 103(a) as being unpatentable over Downs, et al. (hereafter Downs). Applicants respectfully traverse this rejection as Downs does not disclose, teach or suggest Applicants claimed invention as noted below of transferring a royalty amount from an account that references the media (and not the purchaser) to the content provider’s account.

In regards to claim 1, the Examiner states that “Downs teaches a method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of: selling the medium at a price includes a payment amount; sending the payment amount to a clearinghouse referenced by said identifier (col. 9, lines 56-62, col. 11 lines 40-52, and col. 41, lines 14-20). The Examiner then states that “Downs does not specifically teach the selling price includes a pre-payment amount. However, the payment amount in Down’s teaching has to be authenticated before allowing the user to using the privileged content (column 18 lines 20-57). In addition, Downs teaches using different financial models to distribute the privileged content (column 12 lines 36-48). It would have been obvious . . . to allow the selling price in Down’s teaching to include a pre-payment amount for better ensuring the royalty payment to the content provider.” Applicants respectfully traverse the Examiner’s reasoning. It is the inclusion of the pre-payment amount to the price of the unused media without the privileged content that distinguishes Applicants micro payment system from others. Just because Downs uses a savings clause that “different financial models” can be used does not make the Applicants invention obvious, it must explicitly teach or disclose Applicants’ claimed invention (see MPEP 2143.01). “The mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art suggest the desirability of the combination.” Downs does not suggest the desirability of using an account that identifies the media to pay the content provider but rather “the purchaser.”

However, Applicants have amended some claims to more clearly distinguish and define their invention over the cited references. For instance, claim 1 now reads:

1. A method of supplying medium having an identifier for the collection of transactional amounts incurred in using privileged content, comprising the steps of:  
selling the medium *without the privileged content* at a price which includes a pre-payment amount;  
sending the pre-payment amount to a clearinghouse account referenced by said identifier.

The additional limitation of selling the medium “without the privileged content” is not disclosed by Downs. Downs describes selling a medium with the privileged content on it and various methods of receiving payment. Applicants alternatively sell the medium (in blank form) and charge for future privileged content (without knowing what the future content is, or who will provide the

privileged content) and sends this pre-payment amount to a clearinghouse with an identifier for the medium. This up-front charge is unique in that it allows for the user to include the future cost of the privilege content at the time of purchase of the medium while retaining the right to select which privileged content to use later.

5 This claimed combination is not disclosed, taught, or suggested by the art made of record.

Claims 2, 3 and 4 are dependent on claim 1 and are believed patentable based at least on the patentability of claim 1 as amended.

Similarly for claim 5, the Examiner states that "Downs does not explicitly  
10 state said royalty amount is transferred to said first account" but that it would be obvious "to allow the royalty amount to be transferred to the first account or the privilege content provider account as soon as the purchase is properly identified because this would accelerate the royalty payment to the content provider."

However, the Applicants believe the Examiner does not recognize that the first  
15 account is not the "purchaser's account" but an account that identifies the media. It is the transfer of a royalty payment from the media account to the content provider's account that is precisely the benefit that the Applicants' invention over the prior art. That is, by having a second account set up which has been created by the sale of unused media, there is money available at the clearinghouse to be  
20 instantly transferred to the content provider when his merchantable content is used, thus reducing transaction costs and speeding up payments. This is a far better system than that described in Downs which uses traditional payment by the user at the time the content is used. Applicants have amended claim 5, however, to more clearly define and distinguish their invention over Downs. Claim 5 now  
25 reads:

5. A method of providing for the collection of royalty payments for privileged content, comprising the steps of:  
providing an first identifier and a royalty amount to a clearinghouse to establish a first account referenced by said first identifier;  
receiving a key which corresponds to said first identifier;  
combining said key with the privileged content thereby creating a merchantable content; and  
making the merchantable content available to at least one other person wherein when the merchantable content is *used on a medium*, the key and a second identifier *identifying the medium* are provided to the clearinghouse and wherein the clearinghouse using the key to identify the first account and the royalty amount transfers a quantity of money equal to the royalty amount from a second account referenced by said second identifier to said first account.

Thus, it is when the merchantable content is used on the medium that the key and the second identifier which identifies the medium are provided to the clearinghouse to transfer money from the second account identified by the medium to the first account. These limitations are not disclosed, taught, or suggested by Downs. Downs as modified by the Examiner would transfer funds from a second account identified *by the purchaser and not the media* to the first account.

Claim 6 is dependent on claim 5 and is believed patentable based on the patentability of claim 5 as amended.

Claim 7 has been similarly amended to more clearly define and distinguish Applicants' invention over Downs. Claim 7 now reads:

7. A method of providing merchantable content having privileged content and a key to a user of the merchantable content, comprising the steps of:  
providing a directory of merchantable content containing at least one merchantable content source to the user; and  
allowing the user to download said at least one merchantable content source wherein said key represents a *first* identifier for an account for the owner of the privilege content such that use of the merchantable content *on a medium causes a second identifier for an account for the medium to be transferred to a clearinghouse to allow a royalty payment to be transferred from the account for the medium to said account for the owner of the privilege content.*

Thus, it is the transfer from an account associated to the medium and not the owner that is transferred. This limitation is not disclosed, taught or suggested by Downs as Downs as modified by the Examiner would transfer money from the user and not the media to the owner of the privilege content.

Similarly, Claim 8 has been amended to more clearly define and distinguish Applicants' invention over Downs. Claim 8 now reads:

5        8.        A method of providing a clearinghouse for the exchange of  
transactional amounts, comprising the steps of:  
              receiving a first identifier *for a medium* from a first party;  
              creating an first account for the first party referenced by said  
first identifier;  
              receiving a second identifier from a second party and a  
10        royalty amount representing the cost of using a privileged content;  
              creating a second account for said second party referenced  
by said second identifier;  
              providing a key to said second party;  
              receiving a transaction including the key and said first  
15        identifier *when the medium is used with the privileged content*;  
              using said key to identify said second account; and  
              transferring the royalty amount from said first account to said  
second account.

20        Thus, claim 8 allows the clearing house to transfer the royalty amount not  
from the purchaser's or user's account but one that is established based on an  
identifier of the media to the content provider's account (the second account).  
This limitation is not disclosed, taught, or suggested by Downs.

25        Similarly, claim 9 has been amended to more clearly define and distinguish  
over Downs. Claim 9 now reads:

              9.        A method of using a merchantable content, comprising the  
steps of:  
              receiving the merchantable content;  
30        retrieving a first identifier from a medium *that references the  
medium*;  
              using said merchantable content with said medium wherein  
the payment of a royalty amount is incurred by the use of the  
merchantable content;  
35        retrieving a key from said merchantable content; and  
              transmitting said key and said first identifier to a  
clearinghouse wherein the royalty amount is transferred from a first  
account referenced by said first identifier to a second account  
referenced by said key[[:]].

40        Thus, claim 9 now states that the first identifier "references the medium" and not  
the purchaser and thus the royalty amount that is transferred from the first account  
to the second account (content provider's account) is from the medium's account.  
This limitation is not disclosed, taught, or suggested by Downs.

Claim 10 is dependent on claim 9 is believed patentable based at least on the patentability of claim 9, as amended.

Claim 11 is believed patentable over Downs as previously discussed for claims 1 and 9. In claim 11, it is the transfer of the amount from an account referenced by the medium (and not the purchaser's account) that is transferred to the content providers account which is not disclosed, taught, or suggested by Downs.

Claim 12 includes the limitation of where the account manager is capable of transferring a royalty amount from the first account (of a medium provider) to a second account (the content provider). Downs as modified by the Examiner would transfer money from the purchaser's account to the content provider's account. Downs does not disclose, teach or suggest having the clearing house having an account for the "medium provider" as Applicants are claiming. It is the ability to execute small transactions related to the media (and not the purchaser) to the content provider that distinguishes Applicants' invention from that disclosed in Downs. Claim 12 is believed patentable over the art made of record.

Claims 13, 14, 15, 16 are dependent on claim 12 are believed patentable based at least on the patentability of claim 12.

Claim 17 is believed patentable for the reasons described above with respect to claim 12.

Claims 18, 19 and 20 are dependent on claim 17 are believed patentable based at least on the patentability of claim 17.

Removal of the rejection under 35 USC 103(a) and allowance of claims 1-20 is respectfully requested.

The prior art made of record but not relied upon by the Examiner has been reviewed, but is no more pertinent to Applicants' invention than the cited references for the reasons given above.

Applicants believe their claims as amended are patentable over the art of record, and that the amendments made herein are within the scope of a search properly conducted under the provisions of MPEP 904.02. Accordingly, claims 1-29 are deemed to be in condition for allowance, and such allowance is respectfully requested.

If for any reason the Examiner finds the Application other than in a condition for allowance, the Examiner is respectfully requested to call Applicants' undersigned representative at the number listed below to discuss the steps necessary for placing the Application in condition for allowance.


- 5 The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Deposit Account No. 08-2025. Should such fees be associated with an extension of time, Applicants respectfully request that this paper be considered a petition therefore.

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